

S.A. agricultural exports reached a new record in 2022

We now have the entire year's data on South Africa's agricultural trade in 2022. Exports reached a new record of US\$12,8 billion, up 4% from the previous year. Maize, wine, grapes, citrus, berries, nuts, apples and pears, sugar, avocados, and wool were some of the top exportable products in 2022. Notably, the exports were spread across various key markets. The African continent remained a leading market, accounting for 37% of South Africa's agricultural exports in 2022. Asia was the second largest agricultural market, accounting for 27% of exports, followed by the E.U., the third largest market, accounting for 19%. The Americas region was the fourth largest, accounting for 7%, and the remaining 10% went to the rest of the world. The U.K. was one of the leading markets within the 'rest of the world' category. The products of exports to these markets were primarily the same, with the African continent and Asia importing a reasonably large volume or value of maize. Meanwhile, exports to other regions were mainly fruits and wine.

As we indicated recently, the improvement in South Africa's agricultural export earnings in 2022 was primarily due to higher agricultural commodity prices. The volumes of exports of some products declined slightly in line with production, but this was more than compensated for by reasonably higher prices in the world market, specifically in grains.

Importantly, these robust export earnings were achieved in the face of various challenges in our ports and key export markets. To this end, aside from supportive prices, some credit goes to organized agriculture groupings, the government, Transnet and various logistical groups that worked tirelessly to ensure a flow of products to exports. For example, at the start of 2022, logistical challenges in the ports of Cape Town disrupted the exports of table grapes and other deciduous fruits. Thankfully, the cooperation between Transnet and organized agriculture helped to minimize the constraints and opened up channels of communication that were critical for managing the flow of exports and attending to pressing problems.

Meanwhile, the port of Durban faced fewer challenges than the previous year, with citrus exporters facing a relatively better export season from a logistics perspective. This was also brought through increased cooperation between organized agriculture and Transnet. While there are still many challenges within logistics, Transnet's willingness to cooperate closely with the agricultural community has helped improve product flow. There are currently various working groups between commodity organizations through Agbiz and Transnet, which are looking at various strategies that would smooth the flow of products better in the future.

Moreover, in the key export markets, such as China for wool and the E.U. for citrus, South Africa faced non-tariff barriers. China temporarily blocked South African wool in response to the outbreak of the foot-and-mouth disease in South Africa. But this was a misstep on China's part as there is already a framework to manage wool exports when there is a foot-and-mouth disease to ensure the safety of the wool exported. Notably, the outbreak was on cattle, not sheep, which should have provided further comfort about the safety of the wool exports. Positively, after a few months, China lifted the ban, although it had already had a notable financial impact on South African wool farmers and exporting businesses. China is an important market for South African wool, accounting for just over 70% of the wool exports.

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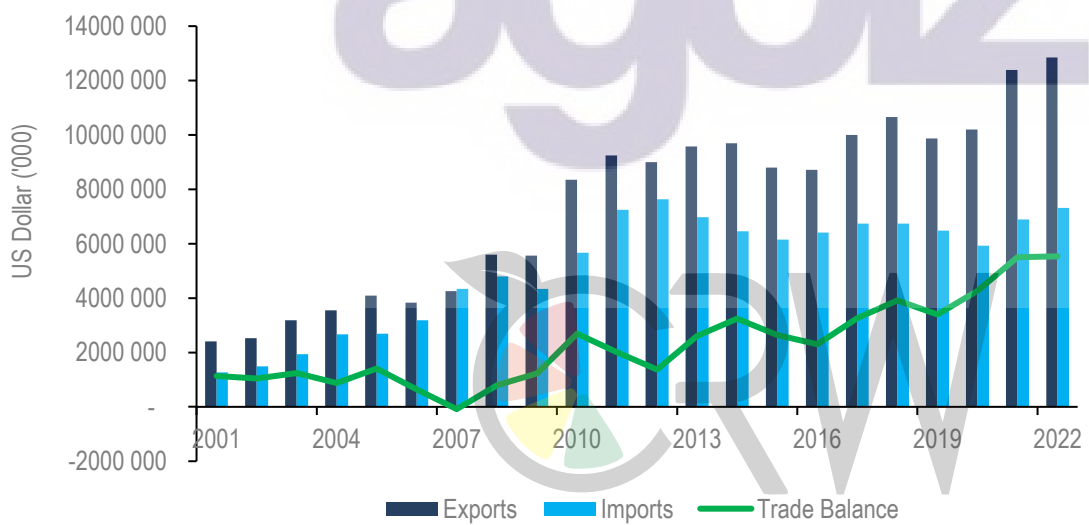
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Similarly, the E.U. imposed protectionist measures on South African agriculture by changing its regulations on plant safety for citrus without notifying its trading partners within a reasonable time. The new regulation purports to protect the E.U. from a quarantine organism, "False Codling Moth", by introducing stringent new cold treatment requirements, particularly on citrus imports from Africa, mainly impacting South Africa, Zimbabwe and the Kingdom of Eswatini. This was a contentious issue, especially as South Africa had already put rigorous measures to control the False Codling Moth, which the E.U. used as a pretext to restrict citrus imports from Africa.

South Africa's trade is not one way – the country is also a notable importer of various agricultural products. In 2022, South Africa's agricultural imports amounted to US\$7,3 billion, up 6% from the previous year. The top imported products were rice, palm oil, wheat, poultry, and whiskies. These products originated primarily from Asia, the E.U., The U.K., and the Americas. Considering this import value against the export value of US\$12,8 billion, South Africa's agriculture realized a record trade surplus of US\$5,5 billion.

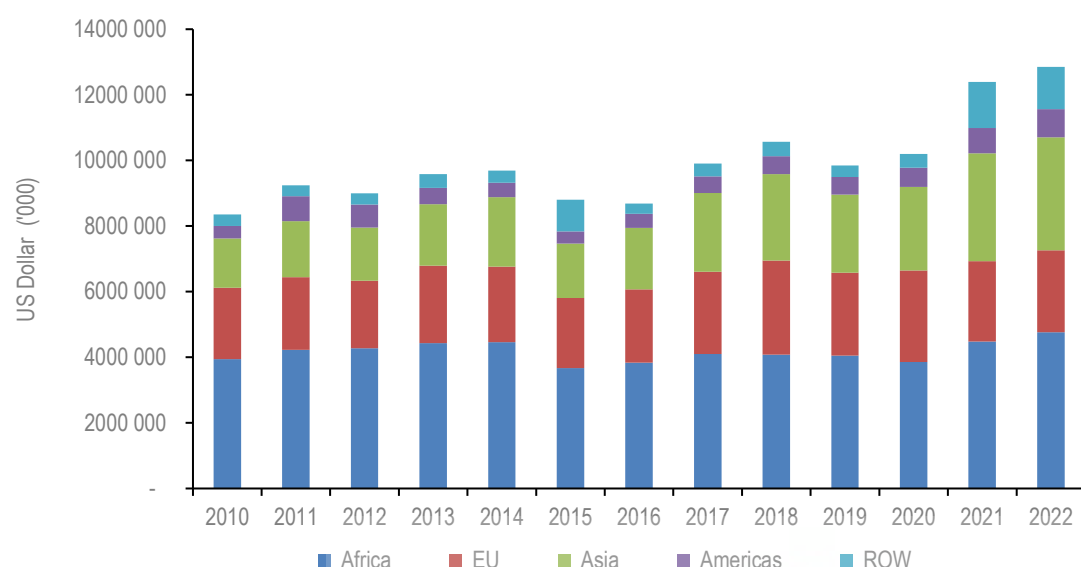
From a policy perspective, it is critical to note that South Africa's agriculture is export-orientated. Thus, the focus should be on maintaining smooth relations with these critical export markets while searching for additional new markets. This is particularly important in the context of growing tensions between the East and the West. South Africa has to maintain open and friendlier relations with both groupings as agriculture exports are evenly spread across these regions. That said, the priority countries for expanding agricultural exports should be China, South Korea, Japan, the USA, Vietnam, Taiwan, India, Saudi Arabia, Mexico, the Philippines and Bangladesh. All have sizeable populations and large imports of agricultural products.

Exhibit 1: South Africa's agricultural exports



Source: Trade Map and Agbiz Research

Exhibit 2: South Africa's agricultural exports by region



Source: Trade Map and Agbiz Research
Note: ROW represents the Rest of the World.

Weekly highlights

Highlights on energy matters from various government speeches

The energy challenges of agriculture were highlighted in various speeches this past week. First, the 2023 Budget Speech by Finance Minister Enoch Godongwana outlined the implementation of the refund on the Road Accident Fund levy for diesel used in the food manufacturing process from 1 April 2023 for two years. This will help ease pressure as more and more agribusinesses are relying on diesel generators to keep operations running. This should ideally not cover purely food manufacturers but also role-players within the food manufacturing value chain, such as animal feed, which is critical for poultry and livestock. Moreover, the tax incentives on investment in renewables will help ease cost pressure on businesses and hopefully incentivize increased renewable installations.

Agriculture, Land Reform and Rural Development Minister Thoko Didiza briefed the agricultural industry last Thursday about the progress on the work of the Agriculture's Energy Task Team, which reviewed the impact of load-shedding in the sector and outlined potential interventions to cushion the sector and ensure food security is protected. The Task Team built on the Finance Minister's interventions and added that for the near term, there could be possible energy curtailment options for heavy users where technical infrastructure permits. Other options being explored also include the blended finance to incentivize own generation within agriculture as part of "greening South Africa's agriculture". There are also prospects for installing microgrids, P.V.'s and battery containers for critical loads, especially during important times such as harvesting, irrigation and refrigeration. The detailed brief of interventions is yet to be released by the Department of Agriculture, Land Reform, and Rural Development (DALRRD) through the office of the Director General.

Still, these options are under consideration between the DALRRD, Eskom and the broader agricultural community. The sector is heavily reliant on stable electricity, and the impact of unreliable supply is visible in various industries such as poultry, dairy, animal feed, and different fruits and vegetables. Thus, such interventions are crucial for food security purposes. With that said, South Africa's agricultural conditions remain favourable, having

benefited from recent rains. Provided that there is swift intervention on the energy needs in the sector, South Africa's food security conditions should remain reasonably firm.

Data releases this week

We start the week with a global focus; the United States Department of Agriculture (USDA) will release its **Agricultural Prices** monthly data on Tuesday. This data comprises prices received by U.S. farmers for principal crops, livestock and livestock products; indexes of prices received by U.S. farmers; feed price ratios; indexes of prices paid by U.S. farmers; and parity prices. Moreover, the USDA will release its **U.S. Weekly Grains and Oilseeds Exports** on Thursday.

On the domestic front, on Tuesday, the Crop Estimates Committee (CEC) will release the **revised area and first production forecast for South Africa's 2022/23 summer crops**. This important data will provide clarity about the size of the crop after a reasonably bad start of the season. Still, various forecasters, such as the USDA and BFAP and ourselves at Agbiz, remain reasonably positive about the crop. Moreover, the CEC will also release the **seventh production forecast for winter crops**.

Also, on Tuesday, Statistics South Africa will release the **Quarterly Labour Force Survey (QLFS)** for the last quarter of 2022. In the third quarter of 2022, there were 873 000 people in primary agriculture. This is up by 5% year-on-year. Notably, this was well above the long-term agricultural employment of 780 000. The increased farm activity in some vegetables, fruits and field crops sustained robust employment.

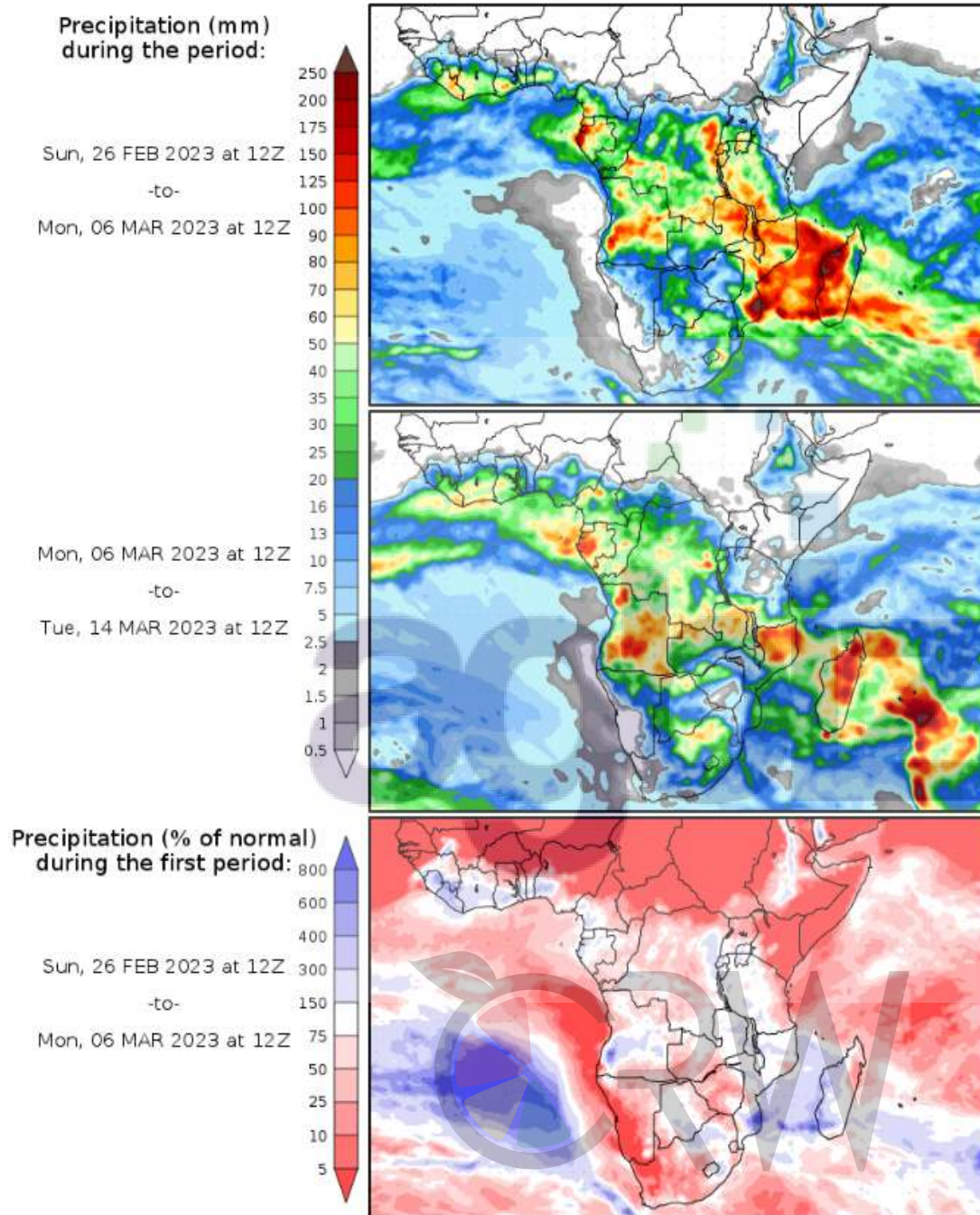
On Wednesday, SAGIS will release the **Weekly Producer Deliveries** data for 24 February. In the previous release of 17 February, about 14,4 million tonnes of maize had already been delivered to commercial silos out of the harvest of 15,5 million tonnes. In the same week, about 2,2 million tonnes of soybeans had already been delivered to commercial silos, roughly the same size as the harvest for the season. Moreover, 842 043 tonnes of sunflower seed had already been delivered on the same day out of the harvest of 845 550 tonnes. The 2022/23 wheat producer deliveries amounted to 1,9 million tonnes in the same week, out of the expected harvest of 2,2 million tonnes.

On Thursday, SAGIS will publish the **Weekly Grain Trade** data for 24 February. In the previous release on 17 February, which was the 42nd week of South Africa's 2022/23 maize marketing year, the weekly exports amounted to 50 232 tonnes. About 55% of this volume went to Mexico and the rest to the Southern Africa region. This brought the total 2022/23 exports to 2,7 million tonnes out of the seasonal export forecast of 3,3 million. This is slightly down from 3,7 million tonnes in the past season due to an expected reduction in the harvest.

South Africa is a net wheat importer, and 17 February was the 20th week of the 2022/23 marketing year, although it was a quiet week with no imports. South Africa's 2022/23 wheat imports currently stand at 556 690 tonnes. The seasonal import forecast is 1,6 million tonnes, roughly unchanged from the previous season. The major wheat suppliers in the 2021/22 season are Argentina, Lithuania, Brazil, Australia, Poland, Latvia and the U.S. If one looks into South Africa's wheat import data for the past five years, Russia was one of the major wheat suppliers, accounting for an average share of 26% yearly. Argentina and Brazil replaced this in the 2021/22 season. We will closely monitor Russia's presence in the 2022/23 season, as the country is again one of the major wheat suppliers to South Africa.

Exhibit 3: South Africa's precipitation forecast

Precipitation Forecasts



Source: George Mason University (wxmaps)

Following a few days of relief from heavy rains, South Africa could receive showers this week, specifically the summer crop growing areas of the country. Fortunately, this will likely be light showers compared to the previous weeks, which should be beneficial for the summer crops.

Meanwhile, the greater part of the Western Cape could remain reasonably warm, which is conducive for winter grapes harvest.